

MEMORANDUM

December 3, 2002

TO: Environmental Quality Board Members &
Technical Representatives

FROM: William Cole Storm
EQB Staff, Tel: 651-296-9535

SUBJECT: Amendment to Site Permit #01-10-LWECS-NE

Action Requested: Amend Site Permit number 01-10-LWECS-NE by transferring the permit from MAPP WIND I, LLC to Moraine Wind, LLC, both wholly owned subsidiaries of PacifiCorp Power Marketing (PPM) and changing the date by which the project must obtain a long-term power purchase agreement (PPA), and deleting the financial reporting requirements within the current site permit.

Background. On May 17, 2001, the Environmental Quality Board issued Site Permit No. 01-10-LWECS-NE to Navitas Energy, LLC. The Permit authorized Navitas to construct a 130.5-Megawatt wind energy conversion system in Murray and Pipestone counties in three stages. The first stage consists of 34 turbines to generate approximately 51 megawatts of electricity. The second stage consists of 33 turbines to generate approximately 49.5 megawatts of electricity, and the third stage consists of 20 turbines to generate another 30 megawatts of electricity.

On April 18, 2002, the EQB approved the transfer of Site Permit No. 01-10-LWECS-NE to PacifiCorp Power Marketing (PPM).

The original permit (with Navistas) required that the permittee report to the MEQB every three months beginning July 1, 2001, concerning financing of the project until such time as the financing is secured (Financing of Project, III.M.2). In addition, the permit stated that if financing was not secured by May 1, 2002, the permit would become null and void for the portion of the project that has not been built.

Transfer Request. On November 26, 2002, PPM notified the staff of the EQB that due to a potential conflict with the Mid-Continent Area Power Pool (MAPP), the names of MAPP Wind I, LLC and MAPP WIND II, LLC were changed to Moraine Wind LLC and Moraine Wind II, LLC, respectively. Both new limited liability companies are registered with the Minnesota Secretary of State. PPM is requesting that Site Permit No. 01-10-LWECS-NE be amended to reflect this change.

Site permit condition (Transfer of Permit, III.K. 6) recognizes that the permittee may transfer a Site Permit with MEQB approval. In addition, the recently adopted wind rules also provide for the transfer of permits. Minn. Rules part 4401.0710 (Transfer of Permit). Part 4401.0710, subpart 1 requires a permittee requesting transfer of a site permit to provide the name of the existing permittee, the name and description of the person to whom the permit is to be transferred, the reasons for the transfer, a description of the facilities affected, and the requested date of the transfer. The rule also requires the

person to whom the permit is to be transferred to provide the EQB with information required by the EQB to determine whether the new permittee can comply with the conditions of the permit.

The facilities affected are those that are associated with the 130.5-Megawatt project described in the permit. The parties have requested that the transfer be effective immediately.

The new wind rules also provide in part 4401.0710, subpart 1 that the person to whom the permit is to be transferred must submit information upon request to demonstrate that the new permittee has the capability to comply with the permit conditions.

PPM is an unregulated member of the Scottish Power Group (SP), which is involved in wind development across the United Kingdom and the western United States. In the United Kingdom, Scottish Power currently has 11 operational wind farms. PacifiCorp Power Marketing is presently bringing online the world's single largest wind energy project, the Stateline Wind Generation Plant along the Washington-Oregon border in the eastern part of those states.

Date Change. PPM, on behalf of Moraine Wind LLC, has made a request to change the date by which the project must obtain a long-term PPA (Power Purchase Agreement, III.J.3) in the Site Permit to December 31, 2003. The Site Permit allows the permittee to construct up to 130.5 MW of wind generation. To date, 51.0 MW is committed under a power purchase agreement (PPA) with Xcel Energy (Xcel). Under this PPA, Xcel has an option through July 31, 2003, to purchase an additional 49.5 MW. Additionally, all or a portion of the balance has been bid to Xcel in its current All-Source bid process.

The reason for the request is that Xcel has not exercised its option to purchase the additional 49.5 MW and the All-Source bidding process has been delayed into the second quarter of 2003.

Financing of Project. On April 30, 2002, MEQB staff determined that PPM/MAPP WIND I, LLC had complied with the financial reporting requirements of the site permit. Given the self funding abilities inherent in PPM, the financial reporting requirements stated under the Special Conditions provision (Financing of Project, III.M.2) of the current permit are no longer relevant.

Significant Issues. There are no significant issues. No comment or objections were filed with the MEQB by Pipestone or Murray County or by any other person. No other request for changes in the Site Permit have been made.

Staff Recommendation. EQB staff recommends that the Board approves and adopts the proposed Findings of Fact and Conclusions and issues its Order transferring Site Permit No. 01-10-LWECS-NE to Moraine Wind, LLC, a wholly owned subsidiary of PacifiCorp Power Marketing, Inc., changing the date by which the project must obtain a long-term power purchase agreement (PPA), and deleting the financial reporting requirements within the current site permit.